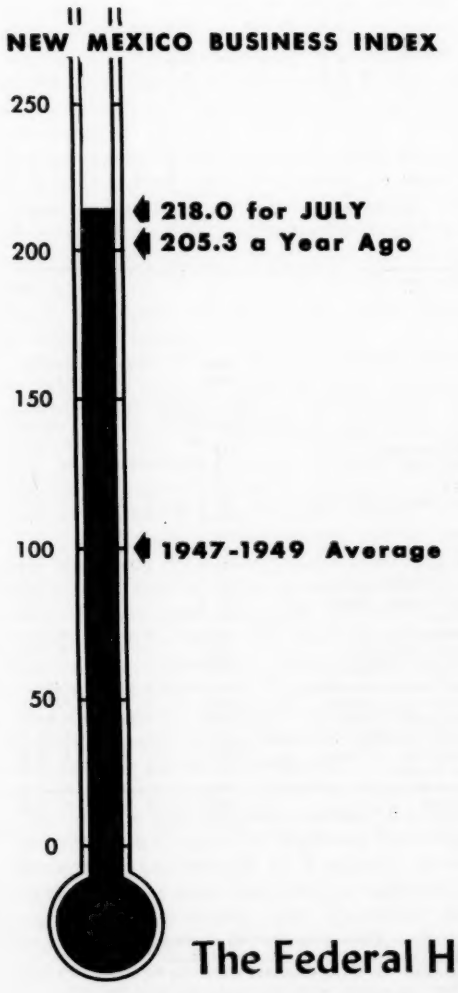
SEPTEMBER 1956

New Mexico BUSINESS



BUSINESS stayed strong

this summer. Our Index of Business Activity in New Mexico slipped slightly from June's all-time record high, but this was minor in relation to the high level of all recent months compared to those of last year. Our composite Index of Business Activity (as this thermometer shows) was 6.2 per cent higher in July than it was during the same month of 1955.

July's retail sales volume subsided somewhat from June's high level, but wholesale sales surged upward as merchants refilled their shelves. Contractors sales picked up and amusement sales showed a seasonal gain.

Banking activity rose significantly in July and held close to this level in August. Our employment levels remained high.

Non-residential building permits surged upward in July, and residence permits went upward in August. Employment in contract construction this summer was not as high as it was a year ago, but it compares very favorably with most previous years.

If you will study the figures on page 2,

(please turn page)

The Federal Highway Program: Its Impact Here

Business Summary - cont.

(continued from page one)

you will note that July had substantial increases in mine production compared to both June 1956 and July 1955.

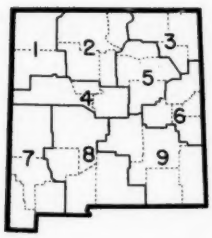
Petroleum production continues to rise quite steadily, too.

Farm prices gained somewhat in July and made another slight gain in August.

This is how AUGUST looked in the early indexes:

	August Index (1947-49 mo. av. = 100)	Per Cent Change August 1956 From July 1956	Per Cent Change August 1956 From August 1955
Bank Debits	227.3	+ 0.6	+ 4.0
Bank Loans & Discounts	183.5	- 1.5	+ 5.8
Demand Deposits	155.9	- 1.3	+ 4.2
Time Deposits	239.2	- 0.6	+ 3.9
Building Permits - Total	220.7	+ 13.1	- 20.7
Residential	195.4	+ 17.2	- 22.1
Non-Residential	236.4	- 4.9	- 36.6
Postal Receipts	220.3p	- 8.1p	+ 4.9p
All Farm Prices	80.7	+ 1.3	- 3.7
Livestock Prices	80.9	+ 3.1	- 3.2
Crop Prices	86.5	- 2.7	- 4.8

How did your district fare in AUGUST ?



District	1	2	3	4	5	6	7	8	9
August 1956 Compared with July 1956									
Bank Debits	+ 2.8	+ 1.6	+ 4.7	+ 1.6	0.0	+ 3.6	- 7.8	+ 0.1	- 3.1
Loans and Discounts	+ 7.3	+ 1.7	+ 65.2	- 5.1	+ 13.4	- 15.5	- 8.2	+ 34.5	- 5.6
Demand Deposits	+ 2.4	- 10.2	- 50.3	+ 4.4	+ 2.5	+ 0.5	- 1.3	- 1.1	- 0.6
Time Deposits	- 1.3	0.0	+ 1.5	+ 1.5	+ 0.5	- 0.4	- 0.4	+ 3.7	- 12.3
Postal Receipts	- 11.1	- 24.7	- 13.0	+ 1.1	- 29.4	- 17.9	- 16.2	- 3.0	- 7.2
August 1956 Compared with August 1955									
Bank Debits	+ 10.8	- 8.8	+ 17.4	+ 7.0	- 6.2	- 1.1	+ 12.2	+ 19.5	- 0.1
Loans and Discounts	- 3.2	+ 36.6	+ 89.9	+ 3.9	- 2.9	+ 0.7	+ 4.5	+ 7.4	- 3.4
Demand Deposits	+ 11.0	+ 9.6	- 50.9	+ 2.2	- 4.5	+ 3.4	+ 8.8	+ 9.3	+ 6.3
Time Deposits	+ 10.8	+ 4.4	- 4.5	- 0.8	+ 8.3	+ 8.6	+ 2.1	+114.6	+ 4.0
Postal Receipts	+ 9.1	- 7.7	+ 2.0	+ 3.6	- 11.4	+ 0.6	+ 7.3	+ 13.0	+ 9.2

Here's the complete roundup of JULY indexes:

	July Index (1947-49 mo. av. = 100)	Per Cent Change July 1956 From June 1956	Per Cent Change July 1956 From July 1955
Index of Business Activity	218.0	- 2.1	+ 6.2
Sales of Retail Stores	198.4	- 5.0	+ 6.4
Apparel Stores	130.2	- 14.2	+ 5.0
Automotive Dealers	na	na	na
Subsistence Stores	179.9	- 8.9	- 5.0
Furniture & Appliances	241.9	- 13.3	- 3.2
Building Materials Dealers	167.0	- 9.9	+ 3.8
Other Retail Stores	208.8	+ 3.2	+ 12.4
Amusement Sales	187.4	+ 25.9	+ 6.5
Service Sales	250.5	- 2.1	+ 13.3
Contractors' Sales	368.0	+ 5.5	+ 14.0
Wholesale Sales	153.0	+ 4.4	+ 3.2
Public Utility Sales	186.6	na	+ 17.4
Manufacturers' Sales	219.7	- 19.3	- 19.9
Life Insurance Sales	396.7	- 8.5	+ 7.7
Bank Debits	225.9	+ 4.0	+ 11.5
Bank Loans & Discounts	186.3	+ 5.0	+ 8.6
Demand Deposits	158.0	+ 0.9	- 0.7
Time Deposits	240.6	- 1.0	+ 12.6
Business Failure Liabilities	238.4	- 41.9	+ 12.3
Postal Receipts	239.7r	+ 4.7r	+ 13.7r

	July Index (1947-49 mo. av. = 100)	Per Cent Change July 1956 From June 1956	Per Cent Change July 1956 From July 1955
Wage Employment	143.7	- 0.2	+ 4.9
Manufacturing	193.6	+ 0.5	+ 7.9
Mining	138.9	0.0	+ 20.3
Transportation & Utilities	133.9	+ 1.0	+ 5.8
Trade	144.4	+ 0.7	+ 3.6
Finance	214.7	0.0	0.0
Services & Miscellaneous	109.5	0.0	+ 4.4
Government	163.0	- 1.9	+ 5.4
Contract Construction	117.1	- 0.7	- 7.5
Building Permits - Total	195.1	- 4.3	- 3.0
Residential	166.7	- 17.5	- 24.9
Non-Residential	248.6	+ 40.8	+ 62.8
Petroleum Production	191.3	+ 3.6	+ 6.4
Electric Power Production	252.0	+ 5.7	+ 30.4
Metallics Production - Total	108.3	+ 6.7	+452.7
Mine Production - Copper	119.2	+ 9.0	+236.9
Mine Production - Lead	84.8	+ 10.6	+ 45.7
Mine Production - Zinc	94.4	+ 3.2	+150.4
Mine Production - Potash	234.6	- 0.5	+ 8.9
All Farm Prices	79.7	+ 2.3	- 6.0
Livestock Prices	78.5	+ 0.4	- 6.8
Crop Prices	88.9	+ 6.2	- 4.7

na - not available
p - preliminary
r - revised

Sources:
Retail Sales data: N. M. Bureau of Revenue
Potash Production: N. M. Bureau of Revenue
Petroleum Production: N. M. Bureau of Revenue
Life Insurance Sales (New Ordinary): Life Insurance Agency Management Association
Wage Employment (all categories): N. M. Employment Security Commission
Electric Power Production: Federal Power Commission
Metallics Production: U. S. Bureau of Mines
Farm Prices: U. S. Agricultural Marketing Service
Bank data (all series), Postal Receipts, Building Permits: Bureau of Business Research
Business Failure Liabilities: Dun & Bradstreet, Inc.

The Federal Highway Program . . . AND ITS Impact ON New Mexico

By RUDYARD B. GOODE*

THE NATION'S multi-billion-dollar highway improvement program was signed into law last June 29, but the tremendous scope and breath-taking implications of this huge development are still unfolding in the public mind.

This is not just another public works project. It is an all-out 13-year war against one of our nation's growing problems. Its massive demands for manpower, materials, and engineering skill are going to have far-reaching effects on our whole economy.

This will be particularly true in New Mexico where any plan to spend about $70 million in two years makes an important impact on the business community. Already, New Mexico businessmen are asking such questions as: How soon does the program start? Which routes in New Mexico come under the interstate system? Does this mean more employment opportunities? And more sales opportunities? Will there be an influx of new workers? Will there be shortages of materials? Changes in wage rates? What about right-of-way and access problems?

This article will attempt to answer these questions on the basis of what we have been told up to this moment. Some phases of this huge program, of course, will be shaped by what happens in the rest of the economy, i.e., industrial demand for steel and manpower, and at this time we can only indicate where these problems might arise.

But first, let us look at the background. The bill signed by President Eisenhower in June was the culmination of many years of public and private studies and repeated efforts to bring our highways up to date. The bill definitely began to take shape, however, after July 1954 when a message prepared by President Eisenhower for the Governors' Conference noted that the nation's highways were inadequate for today's traffic and obsolete by current standards.

Shortly thereafter, a committee headed by Gen. Lucius D. Clay, was appointed to appraise the situation and make recommendations for the solution of the problem. Early in 1955, the Clay Committee report was released. It suggested a ten-year program for the improvement of major highways and recommended bond financing of the expanded program.

The first session of the 84th Congress at that time considered proposals for accelerating the highway construction program but no legislation was enacted. This year, the second session of the Congress resumed its deliberations and fairly late in the session a bill was passed calling for a 13-year construction program with major emphasis on Interstate System improvement. Congress decided that funds for the increased construction should come from new and increased taxes on gasoline and other fuels, tires, retread rubber, and certain types of motor vehicles. These levies became effective July 1, 1956, and are to remain in effect for 16 years.

HOW THE CRISIS AROSE

Several facts, many of them often overlooked, underlie the current status of our highway situation. During World War II, highway improvement was at a virtual standstill. Only roads vital for the all-out military effort were improved and the maintenance of many others was deferred until the cessation of hostilities. Following the war, the number of vehicles used on our highways increased at an astonishing rate. For the entire nation, the last ten years has seen the virtual doubling of the number of motor vehicles on our roads and streets. In New Mexico, the increase has been greater. Also, considerable price inflation in the post-war period reduced the purchasing power of the funds available to highway construction agencies. Most states could not increase their highway use tax rate to levels that would offset the inflationary spiral and also handle the greater volumes of traffic. Bond financing has been apparently only a temporary expedient at best. With greater numbers of cars and trucks in use, highways and other facilities have to be built to higher standards (more and wider traffic lanes, divided highways, smoother curves, easier grades, etc.) so that a given amount of purchasing power is buying even less completed highway

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than before the war. Thus, a situation which was admittedly bad at the outset has not been improving; instead it is becoming progressively worse under the impact of rapidly rising traffic. Evidence of this is found in the increasing number of highway deaths, more congestion with its accompanying higher costs of vehicle operation, more lost or unproductive time now required in travel and transportation, higher insurance premiums, greater property damage and more human suffering due to more accidents, and the all-pervading losses of temper, patience, and in some cases, good sense.

It is the ultimate aim of the 1956 Federal-Aid Highway Act to correct the present deficiencies of our major highway networks and provide adequate facilities for the future. As the first and major step, nearly $25 billion will be distributed to the states over the next 13 years for the improvement of the Interstate System. (These federal grants will be matched with state funds usually on the basis of one state dollar for each nine federal dollars.) The Interstate System comprises the major intercity and interstate highways in the nation. Previously this highway network was limited to 40,000 miles but the new legislation increased the maximum mileage to 41,000, with the additional 1,000 miles as yet undesignated.

For the current fiscal year, federal aid funds for the Interstate System have been increased from $175 million to $1,175 million, a rise of one billion dollars. By 1960, the annual Interstate System authorizations will have increased to $2,200 million, at which level they will remain until 1968. Then, two years of reduced allotments follow. By 1970 the entire 41,000-mile system should be completed. At that time, a motorist should be able to travel coast-to-coast and border-to-border without traffic lights, grade intersections, roadside obstructions, and other hazards (and without tolls) on the Interstate System.

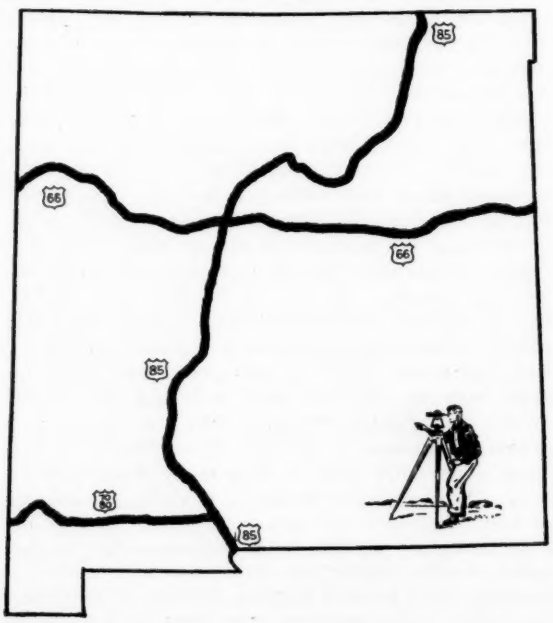
Additional provisions of the 1956 legislation increase the federal funds for other (primary, secondary, and urban) highway systems, authorize the aid of federal agencies in obtaining needed rights-of-way, require satisfactory control of access along the Interstate System, and require the application of the Davis-Bacon Act (minimum wage) provisions to Interstate System projects.

New Mexico Interstate System routes are shown on the map. These include U.S. Route 66 from the Texas to the Arizona borders: U.S. Route 85 from the Colorado to the Texas borders; and U.S. Routes 70 and 80 and New Mexico Route 14 from Las Cruces to the Arizona line via Lordsburg, Road Forks, and Steins. Total Interstate System mileage in New Mexico is just over 1,000 miles and approximately 45 miles of this is classified as Urban; i.e., located in places of 5,000 or more according to the 1950 census.

The importance of New Mexico's Interstate System routes may be shown as follows: In 1953, this mileage, which is about one-sixtieth of total road and street mileage in the state, carried almost one-third of all motor vehicle traffic. At the end of 20 years, traffic on these routes is estimated to be substantially more than double current use. (One might ask at this point: what will be the effect of such an increase on those industries and businesses catering to tourists and highway travelers? Particularly interesting and possibly disturbing is the fact that past traffic forecasts have been so conservative as to be embarrassing in rather short order to those making the predictions.)

Since the current highway legislation places prime emphasis on the development of the Interstate System, it is perhaps desirable to review some of the prepared data that cover the 1,000 miles of New Mexico highways included in the major road network. The following data were prepared in late 1954 and early 1955 by the State Highway Department in accordance with procedures prescribed by the U.S. Bureau of Public Roads. The cost of bringing the mileage up to the standards that were considered satisfactory at that time was estimated at about $260 million. Of this, about $204 million would be for the improvement of nearly 900 miles of rural highway and about 650 structures (bridges, overpasses, and underpasses). On the urban portions, some

NEW MEXICO'S INTERSTATE ROUTES



43 miles of roads and streets and 92 structures would require improvement at a cost of about $58 million. A breakdown of the estimated costs by items shows that rights-of-way would cost about $24 million, grading and surfacing about $152 million, and structures about $85 million. These costs are those estimated for providing highways considered adequate for 1955 traffic and do not allow for additional or expanded facilities needed to accommodate future traffic growth.

COSTS WILL GO UP

These estimated costs should be viewed as quite tentative and subject to subsequent revision. In the light of current standards which are higher than those used earlier, the costs of rights-of-way will probably be substantially above the estimate. Further, the prices of some materials and equipment have changed. For the nation as a whole, the price index for federal-aid highway construction has increased about 8 per cent in the past year. Within the next year, the entire Interstate System improvement program will probably be reviewed and new price tags using the new and revised standards and current prices will be calculated.

What then is the outlook for federally-supported highway construction in New Mexico? Over the next two years, the new federal legislation provides nearly $35 million for Interstate System mileage in New Mexico. In order to use these grants, this state will have to put up $3 million or so in matching funds. Before construction can be started, the proposed improvement plans must be approved by federal authorities. In addition to the Interstate System funds, about $22 million is provided for other federal aid highway systems in the state for the next two years. Adding the matching funds required for the use of the other federal aid makes possible a total federally-supported highway building program of $70-75 million for the two-year period ending July 1, 1958. Table I shows the federal-aid grants to New Mexico for the four major federal-aid highway systems for the recent past and the immediate future. Obviously, as future allotments increase, New Mexico's construction program can be further expanded.

Table I

FEDERAL-AID HIGHWAY GRANTS

New Mexico, 1953-59

For Year Ending June 30	Interstate System (000's)	Other Systems (000's)	Total* (000's)
1953	$ -0-	$ 6,501	$ 6,501
1954	407	7,194	7,601
1955	407	7,195	7,603
1956	2,082	9,228	11,310
1957	14,227	10,852	25,079
1958	20,640	10,936	31,576
1959**	24,282	11,257	35,540

*Totals do not add because of rounding.

**Estimated.

Table II

HIGHWAY CONSTRUCTION CONTRACTS

New Mexico, 1951-56

Calendar Year	Value of Contracts Awarded (000's)
1951	$10,537
1952	14,455
1953	15,190
1954	18,873
1955	14,260
1956 (1st half)	11,963

The funds available for a given fiscal year need not be spent in the particular year. To facilitate smooth programming and enhance effective use of the funds, their use may be drawn out over a long period. However, if funds are not used or scheduled for use within a prescribed time limit, remaining balances revert to the federal government for reallocation to the other states. Thus in time, the state highway improvement program must be radically expanded or a loss of large amounts of federal funds will ensue.

To get some idea of the size of the possible $70 million program, let us contrast it with the contract awards of the past few years. As you will observe in Table II, contracts awarded for both federal and wholly state-financed highway construction in the 1954 and 1955 calendar year totalled about $33 million.

Contract awards for the first half of 1956 show some increase above previous levels, but even so, highway construction in the next two years can be more than double the volume of the past two years.

Now, what effect will this tremendous expansion have on New Mexico's construction industry?

IMPACT OF THE EXPANDED PROGRAM

In New Mexico, nearly all federal and state highway construction is let to contract; thus, the volume of work undertaken by road contractors will increase tremendously. This brings to the fore a timely and vital question: Can the road building industry expand rapidly and economically to the level required? At present a definite answer cannot be given. This observation, however, may be made: Since the new program has

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been anticipated and shaped for two years, many firms have had some time to make preparations and should be able to take on bigger loads. The challenge of meeting this state's growing needs must be met largely by New Mexico firms alone. There is little prospect of looking to out-of-state contractors or to the State Highway Department's own road building and maintenance crews for additional help. Out-of-state or "migrant" contractors will be in demand in their home areas, too, and will probably find it most economical to remain in their own territories. The State Highway Department here will have a great deal of work to do without moving into the projects customarily handled on a contract basis.

The Highway Department will have to increase its work force to provide completed surveys, maps, and plans for the construction projects. It is also responsible for inspecting and supervising the on-the-job aspects of construction.

To meet the challenge, road-builders may have to lengthen the work week, add new personnel, and develop work-saving shortcuts. Currently, most highway construction work is accomplished within five-day weeks and eight-hour days, and occasionally the week is stretched to include Saturday and Sunday work. One obvious means of increasing activity would be the addition of a second shift wherever possible. This would double the amount of work without doubling the amount of equipment and machinery needed. If contractors schedule two shifts per day, it follows that the Highway Department will have to increase its shifts, too. And, a rise in the number of shifts by either contractors or the Highway Department or both will result in a greater demand for labor and technical and professional talent.

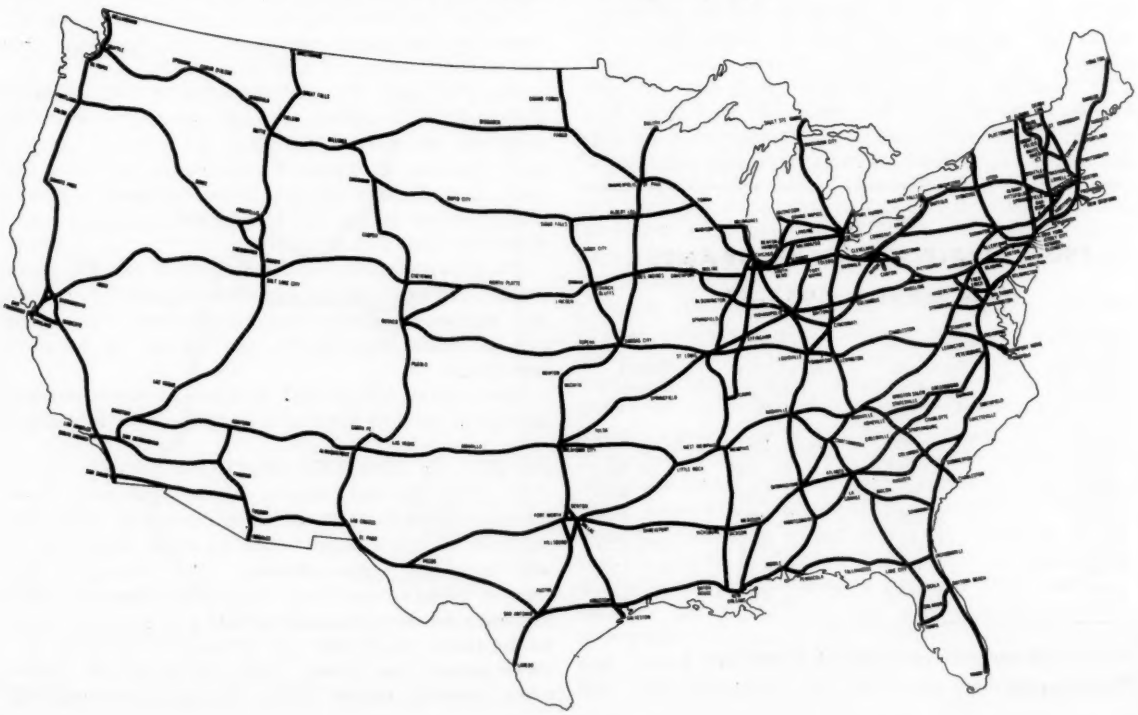
SKILLED MANPOWER IS NEEDED

Now, where are these skilled people to be found? Present enrollments in civil engineering courses do not hold any quick answer to the shortage of highway engineers; in fact, little relief by increased numbers can be foreseen. Skilled technicians and experienced supervisors cannot be created overnight either.

The immediate solution is to make the best use of the skilled people already on the job. Trained and experienced engineers and specialized personnel will be kept strictly on specialized work by reducing non-technical and administrative duties. Longer work weeks loom as a definite prospect. The use of consultants and other outside organizations will be extended.

At the same time, contractors will probably

National System of Interstate Highways



expand and augment their training programs for supervisory personnel, equipment operators, and other specialized workmen.

The in-service training programs of the Highway Department will be expanded where possible, too. And even while the industry learns to live with a perennial shortage of engineers and skilled workmen, it may also initiate scholarship and vocational guidance plans to solve the manpower shortages of future years.

Some shortages of unskilled labor will probably develop, but the relatively high mobility of labor plus the prospect of regular employment for reasonably long periods of time will ease these difficulties.

The manpower shortage may also be eased by impending changes in construction and design methods. To date, most highway projects are handled on a one-time or custom-made basis. But now, the sheer volume of projects will encourage highway departments, contractors, and suppliers to modernize and update their procedures. Time and labor can and will be saved by the development of special tools, new techniques, and standardized materials.

Here is one example of this:

In the past, survey crews went over a new route line on foot, carrying and using their equipment as they went. Numerous observations and measurements were made and recorded. Then large numbers of computations, requiring much time and effort, were needed to get necessary information for the road design. Today, the trend in many states is to use photogrammetry (making surveys and maps from aerial photographs) to obtain much of the preliminary data regarding soil types, topography, drainage conditions, etc. Such aerial techniques are now refined to the point where accurate topographic maps can be prepared much faster than ever before. Photogrammetry can not only reduce the work of preliminary survey parties but it can also help locate supplies of suitable "borrow" material for building up fills and underlaying road bases.

Electronic computers will supplant manual calculations in several ways. Certainly, highway departments will find them useful in making plans, computing quantities of material, and in other chores.

The expanded program will induce and speed up the use of standardized designs for highway structures. Many bridges, underpasses, and other elements--now individually designed in the time-honored custom-made way--could be just as adequately engineered from standard structural segments. This would save time in the drafting-room and would help steel companies and other suppliers to employ more assembly-line production methods.

New techniques for actual construction may evolve. Many good ideas have been lost in the past in one-time projects. Now, with a steady volume of projects, the innovator with a good idea can apply it again and again, possibly perfecting it from job to job. Furthermore, the assurance that the program will continue for many years will provide an incentive for further experimentation with new approaches to doing a job. Added to this is the possibility of developing new or different types of equipment and materials that will save money, time, and labor. One illustration of this might be the new method of laying curbs without additional form work.

Suppliers and producers of roadbuilding equipment and materials will feel the impact of the new volume of construction, too. Demands for supplies will surge upward.

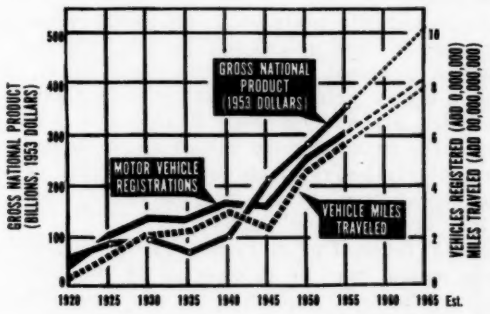
Some of the more important materials are asphalt and bituminous products, crushed stone and gravel, cement, concrete pipe, explosives, lumber, metal pipe, and various forms of steel.

INADEQUATE ROADS COST MOTORISTS MORE THAN $5 BILLION PER YEAR

	INTERSTATE SYSTEM	OTHER ROADS & STREETS
Traffic Accidents	$1.0 BILLION	$700 MILLIONS
Commercial Vehicle Time Losses	$900 MILLIONS	$900 MILLIONS
Losses in Gasoline, Brake, Tire Economy	$700 MILLIONS	$600 MILLIONS
Vehicle Operating Costs on Earth, Gravel Roads Scheduled for Surface Betterments		$500 MILLIONS
TOTALS	$2.6 BILLIONS	$2.7 BILLIONS

Source: Automotive Manufacturers Assn.

ONE THIRD MORE VEHICLES BY 1965



Source: Automotive Manufacturers Assn.

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For some materials, the demand will be more than doubled. Here the question becomes: Will the supplies of roadbuilding materials be adequate to support the stepped-up program? There is no single answer. Certainly some materials, such as crushed stone and gravel, can be produced in much larger quantities without undue difficulty. For steel and some others the outlook is not so bright.

The supply of asphalt and bituminous materials is quite flexible and output can be increased as necessary without difficulty. Lumber and concrete and metal pipe production facilities are adequate to meet greater demands, but temporary distribution bottlenecks may arise. Cement has been in short supply in numerous regions and localities in the recent past. Until productive capacity is expanded, some shortages may be expected to continue. Local demands for cement should be easily satisfied with completion of the cement facilities planned for New Mexico.

Steel is a major problem, although its use in the highway program accounts for a very small percentage of the nation's total steel output. Some of the existing supplies were partially or completely depleted during the recent strike.

The contemplated additions to production and rolling-mill capacities should alleviate the shortages of some specialized types of steel in a few years. Until then, substitutes will have to be used or projects scheduled in accordance with the availability of this particular metal.

Certain types of steel, notably heavy structural beams of the type used in bridge, overpass and underpass construction, have been in short supply for some time. Many of these items require custom fabrication, and it is expected that the supply will continue tight for quite some time. Reinforcing steel bars or rods, used in concrete work, such as bridge abutments, are not in short supply and sufficient capacity exists to meet the added demand.

Most of the evaluations of materials supplies have been made while the entire construction sector of our economy soars on to new highs. A slackening in non-highway construction would release large quantities of many materials and rapidly remove some shortages.

Another pressing question must be faced: What is going to happen to prices? It was noted above that the costs of Federal Aid highway construction have risen about 8 per cent in the last year. Most of the available evidence points to continued increases or stable prices; seldom is there anything to indicate that prices will decline. For those materials which can be readily supplied in the quantities desired, prices will remain steady or show only slight increases. There is the possibility, too, that increased output may give rise to decreased production costs per unit of output and thus a lower price. In some localities this is a definite prospect for materials such as crushed stone and gravel.

Some costs, however, are still rising. The settlement of the recent steel strike was accompanied by a wage increase for the steelworkers and shortly thereafter an increase in the price of steel. This price increase in such a basic commodity will soon be diffused throughout much of our business structure. Recently, the consumer price index (usually called the "cost of living" index) made its biggest one-month jump in several years and further increases are expected. Monetary authorities are hiking interest rates again. These things give tacit recognition to inflationary pressures which if released will have the effect of causing further price increases.

Currently, as has been the case for the past few months, inflationary tendencies have largely outweighed deflationary tendencies. Consequently, the outlook is toward higher and not lower prices.

In attempting to foresee future price behavior for construction materials and equipment, reference must be made to the over-all levels of activity within our economy and particular reference must be made to the construction sector. As long as over-all construction activity continues to reach new record levels, upward pressures on most prices will continue. Should any cutback occur, then these upward pressures may be dissipated and prices tend to decline. Such does not seem likely in the immediate future. The revised construction outlook for the nation as reported by the Departments of Commerce and Labor is expected to exceed their earlier estimate by a half-billion dollars and be about 4 per cent above last year's record of $43 billion. Highway construction, as one item, is expected to be about 14 per cent above last year's level. To date, there is little evidence that the over-all activity in this industry will decline, even though residential construction has fallen off considerably in the last year.

As to specific materials, the newly-announced increase in steel prices will be felt. Cement, as long as regional or spot shortages exist, may have a higher price than that prevailing after the facilities planned for New Mexico are in operation. The price of road construction equipment, particularly heavy machinery, will rise, reflecting higher steel prices and the recent increase in the "cost of living" index.

A final form of price remains to be considered. Wage rates may be thought of as the price of labor. What will happen to the wage rates applicable to New Mexico road construction employes? One provision of the new federal legislation calls

for the application of the Davis-Bacon Act provisions to Interstate System construction. (All other federally-supported highway construction is not subject to this requirement.) The Davis-Bacon Act requires the predetermination of wage rates by the U.S. Secretary of Labor after consultation with the state highway departments. Wage rates so determined are applicable to a project and are, in fact, made a part of the contract covering the construction of the project. A substantial amount of controversy has developed over the application of this law; employers (contractors) claim that premium rates have been established exceeding those prevailing for the same kind of work in the same area; labor representatives contend that the federally-determined rates are fair, that the use of migrant labor is reduced to the benefit of the local residents, and that in some cases prevailing local wage rates are non-existent or depressed because of general unemployment or the widespread use of migrant labor. The argument cannot be settled here.

Two observations must be made, however. For state-sponsored highway construction, the wage rates in New Mexico have been established by the State Labor Commissioner. These wage rates are posted as minimum rates which are based on the prevailing wage in the immediate area. Successful bidders for state contracts are bound by these minimum wage rates. Second, if the wage rates set for Interstate System projects exceed those offered in other public construction (non-Interstate System highway work, sewers, city streets, waterworks, county roads, etc.), then it may be expected that the volume of Interstate System work will serve to increase the labor costs of those projects not covered by the provisions of the Davis-Bacon Act. As such, a hardship could be imposed on municipalities and localities seeking to carry out public works projects. One of the more difficult problems to be faced in the administration of the Davis-Bacon Act requirements is that of deciding what are "locally prevailing wage rates". In all likelihood, an acceptable administrative procedure will be worked out in due time.

Another problem of possible consequence concerns the establishment of priorities and the scheduling of projects. These matters are the responsibility of the State Highway Department. Established techniques are available for determining which highway sections can be improved first. But, such selection may be tempered by the availability of certain materials and the availability of competent contractor capacity.

Plans must always be prepared prior to the letting of contracts and it is here that a serious bottleneck may be encountered. For some time the highway department has been attempting to get a "shelf" or backlog of plans ready for use. Since much of the preliminary work was based on standards set up some time ago, the new and revised standards may require a whole or partial reworking of the plans. If this becomes necessary, then delays in the initiation of the expanded program will certainly result.

One final aspect of the new legislation remains to be considered. In this instance, the impact will not be directly on the highway construction industry itself. Instead, it will be felt by those persons and businesses owning land or facilities adjacent to the Interstate System routes. These highways are to be built as controlled-access roads. This means that there will be restrictions on the location of entrances to and exits from the traffic lanes. Where there is a substantial volume of cross traffic, such as at intersecting highways, a cloverleaf-type intersection with a grade separation structure will eliminate the cross-movement of vehicles. In other instances where there is much less cross traffic, acceleration and deceleration lanes paralleling the through-traffic lanes will be used for turns.

Probably the biggest and thorniest problem is concerned with existing businesses located on the Interstate System routes. Many of these derive most of their income from persons and vehicles using the highway. No ready-made answer to the problem of the conflicting interests is available. The principle of reducing roadside obstructions and eliminating the slow movement of vehicles into and out of a busy traffic stream is widely recognized as contributing to safer highway use. Yet the present vested interests and the existing investments of individuals and businesses cannot be dealt with capriciously. Buying out all businesses now located along the routes certainly would provide one solution. But the ramifications of extinguishing these businesses might create new and different problems. The owners of property along the routes cannot be denied access to the only available road in a casual and offhand manner. What form the final arrangements for controlling the access along the 1,000 miles of the routes in New Mexico will take is uncertain at present. In many places, the usual solutions can be used; i.e., building service roads along the main thoroughfare in the built-up areas and simply buying access rights from landowners in presently unpopulated stretches along the roads. It is the in-between land that causes most of the difficulty. Only time will indicate the nature of the solution to these problems and the wisdom of the solution.

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BUSINESS NOTES:

Potash Chemical Sales Up

DESPITE a decline in American farm demand for potash, deliveries of this vital mineral increased nearly 3 per cent in the 1955-56 sales year, compared to the previous year.

The drop in domestic farm uses was offset by: (1) increased deliveries to other North American countries; and (2) greater use of chemical grades of potash.

The American Potash Institute reports these trends as follows: "Potash deliveries in North America by the seven leading American potash producers and the importers amounted to some 2,220,463 tons of K_2O during the year ending May 31, 1956." (By custom, the sales year runs from June through the following May.)

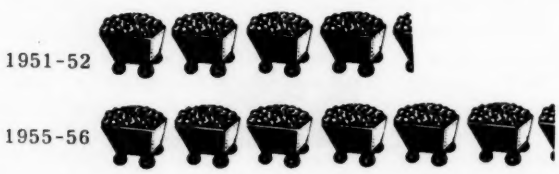
Potash for agricultural purposes in the continental United States amounted to some 1,845,943 tons of K_2O, a decrease of nearly 3 per cent. But potash delivered for agriculture in the other North American countries totalled 251,038 tons, an increase of 53 per cent.

Deliveries of potash for chemical purposes amounted to 123,482 tons, an increase of 20 per cent over the previous year. This upward trend has been quite remarkable in recent years. For the sales year ending May 31, 1952, deliveries of chemical grade potash totalled 86,441 tons. Subsequently, totals have been: 1952-53, 101,496 tons; 1953-54, 91,809 tons; 1954-55, 103,319 tons; and 1955-56, 123,482 tons.

When asked to explain this trend, a potash industry spokesman said: "The tonnage of chemical grade potash produced here (in Carlsbad, N. M.) has increased rather steadily. It is used in the manufacture of TV tubes, and there is an increasing use of it in special soaps, detergents, and high octane gasoline."

Trade magazines list potassium compounds among oxidizing agents used in rockets, but our Carlsbad informant comments: "I am not aware that potash plays any part in rocket fuels, although borax apparently does."

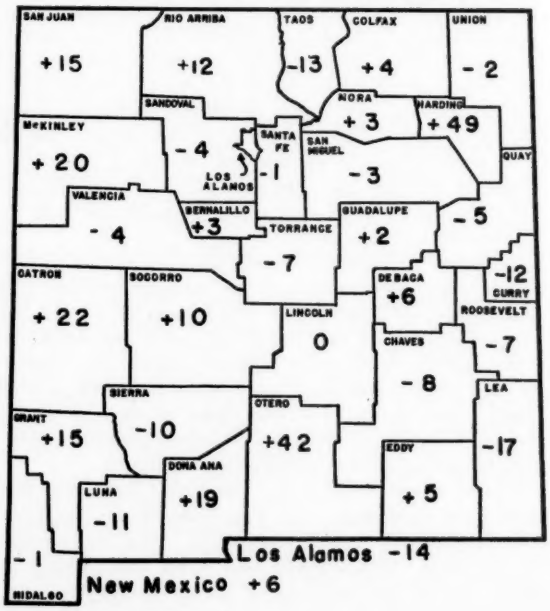
CHEMICAL-GRADE POTASH SALES GROW



Each symbol represents 20,000 tons of K_2O.

RETAIL SALES: A Comparison

Per Cent Change: July '56 from July '55



Retail Sales in New Mexico Counties - July - 1956

(add 000's)

County	Apparel	Automotive* Accessories	Subsistence	Furniture & Appliances	Building Material	Other	Total
Bernalillo	$ 958	$ 3,799	$ 5,306	$2,047	$3,201	$ 8,620	$23,931
Catron	0	38	98	7	3	54	200
Chaves	156	810	1,085	271	564	1,678	4,564
Colfax	36	383	429	21	151	479	1,499
Curry	102	418	629	191	231	791	2,362
De Baca	1	51	56	3	44	129	284
Dona Ana	64	707	740	349	463	812	3,135
Eddy	168	707	1,169	426	436	2,221	5,127
Grant	27	372	406	180	89	551	1,625
Guadalupe	9	237	197	10	13	120	586
Harding	0	61	4	0	2	49	116
Hidalgo	7	156	168	36	101	100	568
Lea	163	1,387	1,390	304	665	3,752	7,661
Lincoln	11	96	358	31	109	238	843
Los Alamos	22	119	127	4	0	163	435
Luna	41	251	205	83	19	275	874
McKinley	47	595	1,072	123	141	730	2,708
Mora	2	32	41	0	12	49	136
Otero	53	354	685	203	267	711	2,273
Quay	51	431	331	55	62	254	1,184
Rio Arriba	14	261	268	32	42	359	976
Roosevelt	27	190	281	162	100	223	983
Sandoval	(a)	92	140	48	(a)	150	430
San Juan	61	934	859	159	374	1,517	3,904
San Miguel	26	206	270	94	65	453	1,114
Santa Fe	169	601	1,482	299	457	1,131	4,139
Sierra	4	103	154	11	32	110	414
Socorro	5	188	154	25	6	164	542
Taos	18	107	288	49	26	264	752
Torrance	10	203	76	19	21	127	456
Union	25	125	140	10	34	160	494
Valencia	57	414	298	79	108	629	1,585
Unallocated	244	664	1,833	822	298	3,493	7,354
Total	$2,578	$15,092	$20,739	$6,153	$8,136	$30,556	$83,254

Source: School Tax Division, N. M. Bureau of Revenue.

(a) Less than $1,000.

*Automotive Accessories includes sales of filling stations, garages and repair shops, and accessories dealers. It is not comparable with figures prior to February 1956 which also included sales of car dealers (new and used) and trucks and tractors.

This map (on page 10) compares the above county totals with totals for the same months of 1955. Note that new and used vehicle sales are omitted from both months in the comparison.

BUSINESS NOTES:

RATON'S logging and lumber industry is reported on the upsurge. Huber Ray, president of Western Timber Products Co., says his firm is currently sawing 100 thousand board feet per day and expects to increase output to 120 thousand feet soon. In addition, a new company is being formed to buy some of the smaller logs from Western Timber to turn out about 30 thousand feet a day by January 1. Ray said these two mills and the necessary wood crews would bring his payrolls to more than 200.

He said enough scrap is available now to keep a box factory busy, and urged Raton businessmen to see that one is started in this community. A pulp mill would be another possibility, Ray said.

APPLES from the Hondo, Ruidoso and Bonito valleys are reaching good markets in Texas, Oklahoma and Louisiana this year. The White Mountain Fruit Growers Assn. expects to do more than $200,000 worth of business this year with an output of 100,000 bushels of fruit. A new bagging machine, which packs from 5,000 to 6,000 four-pound bags of apples a day, is opening a market for the apples in the larger food stores.

EDITOR Alan Pugh of Farmington points out that his city schools enrolled 3,687 pupils this month. This is more than Farmington's whole population of 3,653 in 1950.

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